

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 98-019

January 15, 1998

BANGOR HYDRO-ELECTRIC COMPANY
Deferral of Ice Storm of 1998
Service Restoration Costs

ORDER

WELCH, Chairman; NUGENT and HUNT, Commissioners

I. SUMMARY

We issue this Order to allow Bangor Hydro-Electric Company (BHE or the Company) to defer the incremental costs associated with the Company's efforts to restore service in response to the substantial damage resulting from the major ice storm that struck Maine on January 7, 8 and 9, 1998 (Ice Storm of 1998 Service Restoration Costs). Deferral mechanisms should be used only in truly extraordinary cases or in specific situations where the amount of spending cannot be reasonably estimated with any certainty or where the existence of incentives or disincentives supports deferral. That is the case here. Therefore, we will allow BHE to defer the costs associated with ice storm of 1998 service restoration.

II. DECISION

This Order is necessary because of the severe damage to the State's electric utility infrastructure. The costs to repair the damage is sufficiently severe to meet the standard of being incremental and truly extraordinary.

We will allow the Company to defer, using the appropriate deferred debit account, certain costs associated with ice storm service restoration.¹ The Company should not include amounts capitalized and should include only those incremental costs that are associated with the ice storm. These deferred costs cannot include expenditures for plant and equipment that are normally capitalized nor can it include normal expenses for the period.

Beginning immediately, the Company can accrue carrying costs at its most recently approved cost of capital only on the deferred storm restoration costs and not on the carrying cost balance (that is, no interest on interest will be allowed). The Company shall also capitalize any tax effects associated with ice storm restoration costs.

¹Generally Accepted Accounting Principles require that these types of costs be expensed as incurred, unless a regulatory body permits their deferral as a regulatory asset for future recovery.

The Company shall file information on March 15, 1998 regarding the amounts that have been deferred under this Order as well as a proposal regarding how the costs associated with this accounting Order should be recovered. The Company should state whether it is reasonable to allow recovery of these costs over a 1-year period or, alternatively, whether a longer or shorter recovery period would be appropriate.

Accordingly, we

O R D E R

1. That Bangor Hydro-Electric Company is hereby authorized to defer its incremental costs related to Ice Storm of 1998 Service Restoration Costs. These incremental costs shall be recorded in an appropriate deferred debit account.

2. That the Company record carrying costs on the net deferred balance at its most recently approved cost of capital. Any accrued carrying costs must be separately identified until their ratemaking is determined.

3. That the Company defer any tax effects associated with Ice Storm of 1998 Service Restoration Costs. These amounts should be separately identified in BHE's deferred tax accounts.

4. That the Administrative Director mail an attested copy of this Order to the service list in the current rate case, Docket No. 97-116, and close this docket.

Dated at Augusta, Maine this 15th day of January, 1998.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
Nugent
Hunt